



Agenda Date: 8/01/01

Agenda Item: 4D

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
*Two Gateway Center*  
*Newark, NJ 07102*

IN THE MATTER OF THE PETITION OF  
CONECTIV COMMUNICATIONS, INC. FOR  
APPROVAL OF STOCK AND DEBT ISSUANCE  
AND CAPITAL OWNERSHIP RESTRUCTURING

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TELECOMMUNICATIONS

ORDER OF APPROVAL

DOCKET NO.: TF01050330

Randall V. Griffin, Counsel for Conectiv Communications, Inc.

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Leo M. Lim, Supervising Accountant and Julie Huff, Accountant I, Office of the Economist on behalf of the Staff of the Board of Public Utilities

**BY THE BOARD:**

Conectiv Communications, Inc. ("CCI" or "Petitioner"), a Delaware corporation and a public utility subject to the jurisdiction of the Board, filed a petition on May 21, 2001, pursuant to N.J.S.A. 48:3-7 and 48:3-9, requesting authority for CCI to restructure its debt and capital ownership. In order to accomplish the debt restructuring, CCI requested authority to issue the following new securities: (i) to Conectiv Solutions LLC ("Solutions"), 333 shares of Class B common stock (having 1/5 of a vote per share), 100 shares of non-voting preferred stock ("Preferred Stock"), and a promissory note in the amount of \$80 million, payable over fifteen (15) years; and (ii) to the parent company, Conectiv, 250 shares of Preferred Stock, contingent upon the need for equity financing. On May 21, 2001, CCI filed a motion for Protective Order to limit the availability of information contained in Exhibit A attached to the petition, which CCI asserted contained sensitive and strategic information used for internal planning and business purposes, which, if revealed, could be used by competitors against CCI in the marketplace.

Petitioner is authorized to provide resold and facilities-based local exchange and intrastate interexchange telecommunications services in the State of New Jersey pursuant to the Board's Order of Approval issued on December 16, 1998 in Docket No. TE97120892. Petitioner is a non-dominant carrier and is not subject to rate of return regulation. The rates it charges customers are subject to market discipline and the services it offers are duplicated by other carriers. Solutions is a wholly-owned subsidiary of Conectiv and a CCI affiliate. Conectiv is a Delaware holding company and parent to both CCI and Solutions.

In order to accomplish the debt and capital restructuring, Petitioner will issue to Solutions, an affiliated company, Notes Payable in the amount of \$80 million, maturing fifteen (15) years from closing date, 100 shares of non-voting preferred stock, 333 shares of class B common stock, in exchange for a Note Receivable value at approximately \$100 million to be delivered

by Solutions. Additionally, Petitioner will issue 250 shares of non-voting preferred stock to its parent, Conectiv, in exchange for cancelling its outstanding 900 shares of common stock.

Petitioner states that consummation of the proposed transactions is consistent with the public interest in that it has no negative effects on customers or on competition among facilities-based and resold telecommunications providers. Furthermore, the Petitioner states that the transactions are for proper corporate purposes and will not adversely affect the provision of telecommunications services in the State of New Jersey.

By letter dated July 30, 2001, the Division of Ratepayer Advocate states it, "...does not object to the petition."

With regard to the Petitioner's motion for a Protective Order with respect to Exhibit A attached to the petition, the Board FINDS that the Petitioner has shown good cause that this information merits protection from disclosure in order to prevent competitive harm to the Petitioner. Therefore, the Board DIRECTS that this financial information be kept under seal.

Accordingly, after investigation, having considered the record and exhibits submitted in this proceeding, the Board is satisfied that the action proposed to be taken by Petitioner, as indicated above, is in accordance with law and is not contrary to the public interest. Approving the purposes thereof, the Board HEREBY AUTHORIZES Conectiv Communications, Inc. to issue the stock and debt as described herein in order to engage in a capital ownership restructuring.

This Order is issued subject to the following provisions:

1. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
2. Petitioner shall semiannually file statements for the amounts and use of stocks, notes or other evidence of indebtedness pursuant to N.J.A.C. 14:1-5.9(b).
3. This Order shall not affect, or in any way limit the exercise of the authority of this Board, or of the State, in any future petitions or in any proceeding with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or any other matters affecting the Petitioner.

4. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by December 31, 2001.

DATED: August 1, 2001

BOARD OF PUBLIC UTILITIES  
BY:

[SIGNED]

CONNIE O. HUGHES  
ACTING PRESIDENT

[SIGNED]

FREDERICK F. BUTLER  
COMMISSIONER

[SIGNED]

CAROL J. MURPHY  
COMMISSIONER

ATTEST:

[SIGNED]

FRANCES L. SMITH  
BOARD SECRETARY